



*Andrew Junkin
CFA, CIMA, CAIA
Managing Director*

November 26, 2007

Dr. Russell Read
Chief Investment Officer
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Supplemental Income Plans Small-Mid Growth and Value Managers¹

Dear Russell,

You requested Wilshire's opinion with respect to the selection of domestic small-mid capitalization growth and value managers for inclusion in a spring-fed pool for the Supplemental Income Plans. Wilshire worked with Staff throughout the RFP process, reviewing the products proposed by the various providers and participated in interviews with each provider, and recommends that the proposed managers be included in the spring-fed pool.

Wilshire and Staff reviewed in detail ten proposals from potential growth managers and nine from potential value managers. Wilshire scored each firm on six characteristics: 1) the stability of the organization, 2) the ability to gather unique information for use in the investment process, 3) the ability to generate forecasts of return for securities in the investable universe, 4) the methodology used in portfolio construction, 5) the firm's ability to trade effectively, and 6) the firm's ability to understand and incorporate drivers of performance into the investment process. Wilshire and Staff then conducted interviews with seven firms focusing on the overall investment process and how it would fit into an investor's portfolio within the SIP. The three growth managers (Evergreen Investments, Putnam Investments and The Boston Company Asset Management) and the two value managers (Systematic Financial Management and The Boston Company Asset Management) that Staff is proposing to put in the spring-fed pool all have appropriate investment process for their respective mandates. Wilshire recommends that the Investment Committee approve the selection of these managers.

¹ Wilshire's standard Conflicts of Interest Disclosure has been sent under separate cover.

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Should you require anything further or have any questions, please do not hesitate to contact us.

Best regards,

A handwritten signature in black ink, appearing to read "Ann J. Smith". The signature is written in a cursive style with a large, looped "A" and "S".